

THE COUNTY ASSEMBLY OF NYERI



COUNTY PUBLIC ACCOUNTS COMMITTEE

**COMMITTEE REPORT ON THE AUDITOR GENERALS' REPORT ON THE
FINANCIAL OPERATIONS OF THE NYERI COUNTY ASSEMBLY FOR THE
PERIOD 1ST JULY, 2013 TO 30TH JUNE, 2014**

DATED: 23RD AUGUST, 2016

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Preface

Mr. Speaker Sir,

On behalf of the County Public Accounts Committee and pursuant to the provision of Standing Order 184, it is my pleasant privilege and pleasure, to present to this Assembly the Committee Report on the Auditor General's Report on the financial operations of the Nyeri County Assembly for the period 1st July, 2013 to 30th June, 2014.

Mandate of the Committee

The Committee derives its mandate from Standing Order 184(1) ***which states that the County Public Accounts Committee shall examine the accounts showing the appropriations of the sum voted by the Assembly to meet the public expenditure and of such other accounts laid before the Assembly as the Committee may think fit.***

The primary mandate of County Public Accounts Committee is therefore to oversee the expenditure of public funds in the County Government so as to ensure value for money and adherence to government financial regulations and procedures. The Committee executes its mandate on the basis of annual and special audit reports prepared by the Kenya National Audit Office (KENAO).

Guiding Principles

In the execution of its mandate aforesaid, the County Public Accounts Committee is guided by core constitutional and statutory principles on public finance management, as well as established practices. These principles include:-

- 1) Article 201 of the Kenya Constitution enacts fundamental principles that ,”.....shall guide all aspects of Public Finance in the Republic....”The principles are, *inter alia*, that:-

- a. Article 201(a) there shall be openness and accountability including public participation in financial matters.
- b. Article 201(d) public money shall be used in a prudent and responsible way.
- c. Article 201(e) financial management shall be responsible and fiscal reporting shall be clear.

The County Public Accounts Committee places a premium on these principles, among others and has been guided by them in the entire process of development of the report.

Article 226 (5) of the Kenya Constitution stipulates that:-

“If the holder of the public office, including a political office, directs or approves the use of public funds contrary to the law or instructions, the person is liable for any loss arising from that use and shall make good the loss ,whether the person remains the holder or not.”

In this regard, the Committee calls upon all Accounting Officers to take notice of this provision and act prudently to safeguard public funds from loss or face dire consequences.

Obligations of Accounting Officers

Section 149(1) of the Public Finance Management Act, 2012 provides that, ***“An Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the Officer is designated are used in a way that is lawful and authorized, and effective, efficient, economical and transparent.”***

This provision obligates all Accounting Officers to appear before the County Public Accounts Committee of the County Assembly to respond to audit queries in their respective Departments.

Committee Membership

The Committee Members are:-

1. Hon.George Baragu Mutahi Chairperson
2. Hon.Peter Kagume Kario Vice Chairperson
3. Hon.Keziah Waruinu Mwangi Member
4. Hon.Simon Mbogo Kiragu Member
5. Hon.James Kibira Ngunyi Member

Acknowledgment

Mr. Speaker Sir, I wish to thank the Almighty God for enabling us to carry out the whole exercise successfully.

Allow me **Mr. Speaker Sir**, to commend each Honorable Member of the Committee for their commitment and exemplary work which made the interrogation of the auditors' report and production of this report a major success.

The Committee registers its unreserved thanks to the Office of the Speaker, the Clerk of the County Assembly, the Kenya National Audit Office in Nyeri and all the Members of the County Assembly for their support which made the production of the report a success. Special appreciation goes to the Officer from the Kenya National Audit Office in Nyeri and the Secretariat for the good work.

The Committee would like to thank the Clerk of the County Assembly and all the other Officers of the County Assembly who appeared before the Committee and provided valuable insights on the audit queries.

The commitment and devotion to duty to all those involved in this noble task made the work of the Committee and production of the report a success. We thank each one of them.

Evidence Taken

The Committee held one sitting in which it interrogated the Officers from the County Assembly on the audit queries. The minutes of the Committee sitting is annexed to this report. During its sessions, the Committee took both oral and documentary evidence.

The Committee was guided by the existing procedures and modalities of operations of the Nyeri County Assembly derived from the Constitution of Kenya, County Government Act and the Nyeri County Assembly Standing Orders.

General Observations

Arising from the evidence taken, the Committee made the following general observations:-

1. Failure by Accounting Officer to respond to the issues raised in the management letter from the Auditor General

The Committee noted that the Auditor General had raised a number of issues which if the Officers responsible had responded they would not be in the audit report.

The Committee recommends that in future, the management letters should be responded to within the timelines given by the Auditor General and that the Accounting Officers should take the management letters seriously.

2. Vote Book

The Committee noted that the County Assembly did not maintain a proper vote book showing the commitments and when the commitments became payments.

The Committee recommends that the vote book should be updated and a proper vote book should be maintained showing clearly allocations to

each vote, payments, commitments and outstanding balances on each vote.

Mr. Speaker Sir,

On behalf of the Committee, I now wish to table the report and urge the Assembly to adopt it and the recommendations therein.

Signed Date:

Hon.Baragu Mutahi (Chairperson, County Public Accounts Committee)

Introduction

The Auditor General's Report on the financial operations of the Nyeri County Assembly for the period 1st July, 2013 to 30th June, 2014 was tabled in the Nyeri County Assembly on Tuesday, 22nd March, 2016 and consequently referred to the County Public Accounts Committee to consider and table a report within three months. In this regard, the Committee conducted a witness hearing during which the following responses were provided by various Officers. Included is also the Committee observations and the recommendations.

Audit Queries

1.0 Irregularities in Human Resource Management

1.1 Non-Compliance with Transition Authority Human Resource Guidelines

Nyeri County Assembly had a total of 101 Staff and 48 Members of County Assembly. However, the following anomalies were observed;

- (i) The County Assembly had not carried out job evaluation of the staff to identify qualifications and experience required for every cadre;
- (ii) A comprehensive work load analysis to establish optimal staffing levels had not been carried out as directed by the Transition Authority. The number of staff required had therefore not been established;
- (iii) The Scheme of Service and staff establishment had not yet been developed;
- (iv) Though several trainings were carried out, there was no annual work plan on training to be carried out to optimize on use of available resources;
- (v) Monitoring and evaluation had not been carried out although Chapter 5 of the County Assembly strategic plan indicated that evaluation was to be carried out to assess impact of strategies and performance.

Therefore, critical milestones in the human resource planning, development and management had not been achieved.

The Officers informed the Committee that;-

- i. The Assembly had just been established and it had inherited the Staff from the defunct Local Authorities and those seconded from the National Government through the Transition Authority. Thus, it was not possible to carry out job evaluation during the period under review.
- ii. Job evaluation exercise was later done nationally by Salary and Remuneration Commission (SRC). In August, 2015 SRC carried out job evaluation for the County Assembly Staff and the draft report was ready awaiting adoption by relevant authorities for it to be implemented. The exercise was carried out all over the Republic as there had to be one Scheme of Service for the whole Republic. All the County Assemblies had a Draft Scheme of Service approved by County Assembly Forum (CAF) waiting to be adopted by SRC.
- iii. As per the County Government Act, 2012 section 12 (7) (b) the County Assembly Service Board(CASB) was responsible for constituting Offices in the County Assembly Service and appointing and supervising office holders. Hence, the CASB resolutions to recruit 24 staff in various cadres vide CASB Minute Number CASB/65/2013.
- iv. The Assembly was in the process of developing a draft scheme of service but that mandate was taken over by County Assemblies Forum (CAF) and Society of Clerks at the Table (SOCATT).
- v. The County Assemblies were new set ups modelled on the parliamentary systems and hence used the Centre for Parliamentary Studies and Training (CPST) to organize training programmes for Members and Staff.
- vi. The Assembly was in the early stages of implementing the Strategic Plan which had been launched on 3rd March, 2014.

The Officers furnished the Committee with;-

1. A draft Scheme of Service approved by the County Assembly Forum.
2. Minutes of County Assembly Service Board CASB/65/2013 resolving employment of the 24 staff.

3. Career progression guidelines for County Assemblies Staff developed by County Assembly Forum and Society of Clerks at the Table.

The Committee observed that the County Assembly had made great milestone in human resource planning, development and management.

The Committee was satisfied with the response given but nonetheless wishes to recommend that the County Assembly should carry out performance appraisal and evaluations as required by the strategic plan.

1.2 Irregularities in the recruitment of Ward Secretaries and Office Messengers

During the period under review, the County Assembly recruited thirty (30) Ward Secretaries and 30 Ward Messengers. However, the positions were not advertised contravening the requirements of Section 66 of the County Government Act, 2012 and Transition Authority Circular Ref No: TA/2/ dated 18th December,2013.

The Officers informed the Committee that these were personal/partisan staff for the Honorable Members whom the County Assembly Service Board had got only advisory role in their hiring .This was the best practice as it was borrowed from the National Government vide circular No. OP/CAB 13/20A dated 29th September, 2009 from the Office of the President and Ministry of State for Public Service Circular No. MSPS 2/2/6A VOL.VIII / (45) dated 7th May, 2013.

The Officers provided the Committee with;-

1. A copy of the Circular from Head of Public Service on appointment of personal staff in the Offices of Prime Minister, VicePresident, Deputy Prime Ministers and Honorable Ministers dated 23rd September,2009.
2. A copy of the Circular from Ministry of State for Public Service dated 7th May, 2013 on appointment of personal staff in the Office of the Cabinet Secretary.

The Committee noted that the County Assembly was not in breach of any recruitment laws since they had followed the recommended practice thus was satisfied with the response given.

1.3 Failure to Meet 30% Criteria in Recruitment of Staff

The County Assembly recruited an additional twenty four (24) staff during the period under review. This was done through a newspaper advertisement made on 27th August, 2013. However, the 30 % ethnic diversity requirement was not achieved during this recruitment process since 100 % of staff were from the dominant ethnic group contrary to the requirements of Section 65 (1)(e) of the County Government Act, 2012. Therefore, the County Assembly was in breach of recruitment laws and regulations.

The Officers informed the Committee that;-

The staffs were hired competitively through a public advertisement dated 4th September, 2013 in widely circulated newspaper and not on 27th August, 2013 as quoted in the audit report. Out of the 601 applicants for the advertised positions, only 32 were from outside the dominant ethnic group in the County. The CASB while conducting the interview considered the qualifications as stipulated in the advertised posts hence only those who qualified were recruited.

The Officers provided the Committee with;-

1. A copy of the advertisement for recruitment of staff on the Daily Nation Newspaper dated Wednesday, 4th September, 2013.
2. A list of all the applicants for various positions.

The Committee observed that the County Assembly had not met the 30% criteria in recruitment due to the reasons they cited.

The Committee was satisfied with the response but wishes to recommend that the County Assembly of Nyeri should strive to achieve the 30%

threshold in all the recruitment as required by section 65(1) (e) of County Government Act, 2012.

1.4 Irregular Salary Arrears Claims

The County Assembly paid out Kshs.2, 136, 801.00 in salary arrears to ward staff for the period between July and September, 2013. However, it was observed that the appointment letters which were relied on to compute the amount paid were issued on 11th October, 2013, although the arrears claims were from July,2013. The County Assembly Service Board approved recruitment of ward staff in a meeting held on 23th August, 2013 and there was no way these staff could have started working earlier.

Further, most Members of the County Assembly had forwarded details of the proposed Secretary and Messenger for each Ward to a meeting held on 20th September,2013 for approval while Board minutes referenced MIN NO.CASB/156/2013 of 31st October, 2013 showed that some Members had not searched for Offices. Consequently, it was difficult to confirm if these Offices were operational before this date.

It appeared, therefore, that the salary claims for three months i.e. July to September, 2013 were not justified as the Staffs were not working.

The County may have lost funds through fraudulent claims on salary arrears.

The Officers informed the Committee that;-

- i. On salary paid to employees serving in the Ward Offices for the period between the month of July to September, 2013, it should be noted that the Members of the County Assembly(MCAs) had hired the Ward Employees from the time they were elected in March,2013 and the CASB meeting held on 23rd August, 2013 directed that the Ward Employees be paid with effect from July, 2013 instead of March, 2013 as requested by the MCA's as the period March to June, 2013 could not have been

captured in the budgetary estimates. Besides, the CASB had not been constituted to deliberate on the modalities of hiring the Ward Staff.

- ii. The appointment letters of the Ward Employees was explicitly clear that these employees were hired as from 1st July, 2013. The salary of the Ward Employees for the three months (July, August & September, 2013) were delayed because the employees had not submitted the necessary documents i.e. Kenya Revenue Authority PIN Certificate, National Social Security Fund, National Health Insurance Fund, Bank Accounts as a required before processing their salaries and there was also delay in disbursement of operation funds by the National Treasury.

The Officers furnished the Committee with;-

1. A Copy of the Minutes of the County Assembly Service Board held on 20th September, 2013 approving the employment of Ward Employees.
2. Copies of the appointment letters for the Ward Employees.

The Committee observed that from the response and support documents provided there was no irregularity in payment of salary arrears claims.

The Committee was satisfied with the response.

1.5 Unsupported Car Loan Funds

1.5.1 Unauthorized Car Loan Repayment Period

Audit review of the Service Level agreement between Family Bank and Nyeri County Government revealed that car loan repayment period was extended up to 31st December, 2017. This date comes after the date of the next general election yet the current MCAs will not be in office. This contravened the requirements of Salaries and Remuneration Commission (SRC) Circular Ref .No.SRC /TS/CGOVT/3/16 dated 15th November, 2013.

Further, it was noted that some of the Members of the County Assembly may not have repaid the car loans fully by December, 2017 since the installment deducted for some Members in some months was very small.

The Officers informed the Committee that;-

1. The loan period was ending on April, 2017 and not December, 2017 as per audit report.
2. It was confirmed that servicing of both Mortgage and Car Loans was up to date as per Senior Branch Manager, Family Bank Nyeri confirmation letter dated 15th November, 2015.
3. The Loans will have been cleared before the end of Members current term

The Officers provided the Committee with a copy of the letter from Family Bank on payment of Car and Mortgage Loan by the MCA's.

The Committee noted that by 30th April, 2017 all the Members of County Assembly will have cleared both the Mortgage and Car Loans hence was satisfied with the response.

1.5.2 Security for the Loans

The County Assembly did not obtain logbooks of the motor vehicles financed by the loans for the purpose of charging them as securities contrary to SRC guidelines.

The Officers informed the Committee that;-

1. The Fund was created and was being managed by County Executive Committee (CEC) Member for Finance as per Section 116 of the Public Finance Management Act, 2012.
2. However, the County Assembly contributed one hundred million (Kshs.100M) to the fund as a seed capital.
3. Further, County Governments Act Section 25 provided that the Assembly could not during its tenure create a Fund and directly benefit from it hence the fund's creation by the CEC.
4. The Fund was managed by the CEC Finance and Family Bank.

The Committee was satisfied with the response given.

1.5.3 Failure to Avail Records for Car and Mortgage Fund

The County Assembly did not avail the following records for audit review:

1. Minutes of the Committee/body appointing Family Bank as fund manager.
2. Bank Statements of the Fund.
3. The enabling Act and regulations governing the operation of the Fund.

In the circumstances, some loans might not be recovered fully by the end of the term of the MCAs. Further, the County Assembly might not recover funds paid on behalf of a member in case of default since there is no security.

The Officers informed the Committee that;-

1. After the Assembly transferred the kshs. 100Million to CEC Finance the responsibilities of creating the fund rested with the CEC Finance.
2. The Assembly was not in a position to access the Bank Statements as the standard practice with banks was that statements were availed to accounts holders only.
3. The responsibility of developing the regulations and creating the Act rested with CEC Finance.

The Committee noted that the fund was managed by the County Executive Committee Member for Finance and he was the one responsible for providing records on the Car and Mortgage Fund.

The Committee was satisfied with the response given.

1.6 Unsupported Salaries and Wages Expenditure

During the year under review, the County Assembly paid salaries totaling Kshs.30, 090,684.00 according to expenditure vote status. However, the management did not maintain a ledger, payroll summaries and schedules to support the payment.

In the circumstances, it was not possible to ascertain whether genuine employees were paid and the accuracy of the salary payment of kshs.30,090,684 could not be confirmed.

The Officers informed the Committee that;-

1. During the audit period, the Assembly's payroll was run from the County Executive Arm of the County Government as the Integrated Payroll and Personnel Database (IPPD) system was centralized; therefore the payroll of the County Executive and County Assembly were consolidated into one County payroll. Thus the Assembly did not have its own payroll summaries, ledgers and schedules.
2. The Assembly had its own IPPD system since October,2015.
3. The total salary payment as per provided schedule was Kshs.169,118,425 and not Kshs.30,090,684 as per the report.

The Officers provided the Committee with a schedule on employees compensation for 2013/2014 F.Y totaling to kshs.169,118,425 and a schedule showing all the employees, the salaries and MCA's sitting allowances paid during 2013/2014 F.Y.

The Committee observed that currently the County Assembly maintained its own payroll hence the audit query had been addressed.

1.7 Irregular Payment of Sitting Allowances

During the financial period under review, the County Assembly paid sitting allowances to Members of various Committees without following the Salaries and Remuneration Commission guidelines. Minutes of these Committees' deliberations were also not provided for audit verifications.

These payments included;

- i. Between 7th and 11th October, 2013, some Members of the County Assembly Service Board and other Non-Members were paid allowances for up to 11 sittings resulting in over paid allowances amounting to Kshs.41,000.
- ii. During the week between 21st and 26th October, 2013, eight (8) Members of the County Assembly Service Board together with Non- Members were paid allowances for 10 and 11 sittings resulting into overpayment of allowances of Kshs.87,000.

However, the following anomalies were noted:

1. The notes emanating from the respective Committee Clerks addressed to the County Assembly internal auditor to facilitate the preparation of the Committee sitting allowance payment schedules did not indicate the week when the meetings were held.
2. The attendance register for all the Committees did not show the agenda/items of discussion for ease of comparison with the minutes.
3. Scrutiny of the minutes for all the Committees indicated that the meetings were not well planned since they were too frequent and most of the meetings had single agenda which could have been aggregated to achieve value for money.

There were instances when the meetings held and paid were in breach of the law for example, Tourism, Sports, Youth, Culture, Gender and Social Development Committee held two meetings on 20th February, 2014 and 24th February, 2014 to discuss Ward Development Fund Bill, 2014. The Budget and Appropriations Committee also held a meeting on 12th May, 2014 to discuss the same bill. This was in breach of the Constitution, the Public Finance Management Act, 2012 and the Salaries and Remuneration guidelines as highlighted by the Transition Authority vide letter Ref No. TA/6/12 of 11 July, 2014.

In addition, sitting allowances amounting to Kshs.902, 200.00 were paid without deducting and remitting to Kenya Revenue Authority (KRA) income tax amounting to Kshs.270,600.00.

The Officers informed the Committee that;-

1. This was an AdHoc task force allowance paid as per SRC Circular Number: Ref.No.SRC/ADM/CIR/1/13 (122) dated 16th April, 2014.
2. The CASB in its meeting held on 30th September, 2013; MIN/CASB/124/2013/3 resolved to pay Members of this panel a flat rate of Kshs.5, 000 per sitting. This rate was lower than the recommended rate of Kshs.10, 000 per sitting for Members from the private sector as per SRC Circular Number: Ref.No.SRC/ADM/CIR/1/13 (122).
3. On the payment of sitting allowances to the County Assembly Service Board together with Non-Members during the weeks starting 7th to 11th October, 2013 and 21st to 26th October, 2013 it was an Interviewing Panel and not the ordinary Board meetings which had a capping on the number of sittings. Therefore, the number of sittings could not be based on SRC guidelines.
4. It was worth noting that among the days stated was a public holiday as there was need to expedite the process, hence it was even a personal sacrifice by the Panel, as the Panel went even beyond the call of duty. Considering that the Assembly at that time had a skeleton staff, it was necessary to complete the exercise within the shortest time possible and to ensure the impartiality in the exercise, human resource experts and other professionals from the private sector were involved in the exercise as it was considered a best practice to guard against irregularities.
5. These payments were token compensation of appreciation and not allowances as per circular MSPS.2/1A VOL.XLVIII/(119) dated 2nd August,2013 from the Ministry of Devolution and Planning.

6. The Ward Development Fund Bill, 2014 cut across all Sectoral Committees of the Assembly, hence the need for the Bill to be deliberated by all the Committees to ensure that their input was taken into account.
7. The Budget and Appropriations Committee met on 12th May, 2014 to discuss the proposed budget estimates for the FY/2014/2015 as per MIN.NO.BAC/12/05/2014 and not the Ward Development Fund Bill as per the audit report.

The Officers provided the Committee with;

1. A Circular from Salaries and Remuneration Commission on payment of taskforce allowances.
2. Minutes of the County Assembly Service Board held on 30th September,2013 and 7th to 11th October,2013 on recruitment and shortlisting of employees.
3. Minutes of Budget and Appropriations Committee held on 12th May,2016.
4. A Circular from the Ministry of Devolution and Planning on how payment for a taskforce should be done.

The Committee was satisfied with the response and support documents provided.

2.0 Expenditure

2.1 Irregular Procurement Procedures on Installation, Cabling and Trunking of Network Cables

During the period under review, the County Assembly procured services for installation, cabling and trunking of network cables at a cost of kshs.4,653,315.00 using inappropriate procurement procedures. The County Assembly used request for quotation method to procure the services contrary to the requirements of Section 88 (b) of the Public Procurement and Disposal Act, 2005. Further, the contract was split into three contracts.

The Officers informed the Committee that;-

There was no splitting of the contract into three contracts as stated in the Audit Report but the contract was done in three phases due to the following reasons;

- (i) The approved procurement plan had allowed the spreading of the works into three phases. This was necessitated by the fact that the Assembly had no control over the release of funds as this was a function of the National Treasury.
- (ii) Further, the carrying out of works in phases enabled the youth who had documents from Youth Access to Government Procurement Opportunities (YAGPO) to access opportunities for targeted enterprises owned by the youths.
- (iii) The Assembly floated quotations to registered Youth groups as posted in the PPOA website, as opposed to open tender which would have taken a longer duration. The works were urgently required to enable the Assembly operate efficiently and effectively.
- (iv) By this time the Assembly had neither existing Local Area Network (LAN) nor Wide Area Network (WAN) yet the Assembly was already established and functional and it needed those services urgently to discharge its mandate as required by the Constitution.

The Officers provided the Committee with ;-

- i. A copy of the section on Amendments of the Public Procurement and Disposal Regulations, 2013.
- ii. Certificate of Registration of the Youth Companies that were awarded the tenders.

The Committee noted that the tenders were awarded to Youth Companies which was the reason for unbundling of the tenders.

The Committee recommends that in future the County Assembly Service Board should ensure splitting of the tenders was not done and that procurement laws are adhered to.

2.2 Irregular Payment of Ward Offices Rent

The County Assembly paid office rent totaling Kshs.2,500,000.00 for Members of the County Assembly Ward Offices during the period under review. However, no lease agreements had been entered into by the time money was paid out. It was also observed that these payments were received by individuals who could not be confirmed as owners of the buildings since no ownership documents were provided. The sourcing of the office spaces was not subjected to competitive bidding contrary to public procurement regulations.

Public funds may have been lost through payment of office rent whose procurement procedure was non-competitive and whose payment was made to building owners whose identity could not be confirmed.

The Officers informed the Committee that;-

- i. The Lease Agreements between Members of the County Assembly of Nyeri and Landlords on the concerned properties were maintained. All the payments were made and are still made to the bona fide owners.
- ii. The Ward Offices were identified by the respective Ward Representatives and they were duly inspected by the Office of the County Public Works to ascertain their suitability for occupation.

- iii. The County Assembly Service Board in an effort to facilitate the Members with Offices, passed a resolution to rent Ward Offices at a flat rate of KShs.10,000 (ten thousand only) per month (inclusive of water and electricity). The Board resolved to set a maximum figure for Office Rent to avoid disparities between urban and rural set ups. This was in line with the Commission for Revenue Allocation (CRA) ceilings to the County Assembly of Nyeri vide Circular No. CRA/C/36 Vol.1/ (35).

The Officers provided the Committee with;-

- 1) Copies of lease agreement between Members and the Owners of the Ward Offices
- 2) Minutes of County Assembly Service Board held on 20th September,2013 and 25th February,2014 authorizing renting of the Ward Offices.
- 3) The Circular from the Commission on Revenue Allocation on the Assembly ceilings.

The Committee was convinced that the expenditure was a proper charge to public funds thus was satisfied with the response given.

3.0 Travel and Subsistence Allowances

3.1 Excessive Foreign Travel Expenditure

During the period under review, the County Assembly sponsored foreign trips to its Members of the County Assembly and some Staff to eleven (11) Foreign Countries between December, 2013 and June, 2014 at a total cost of Kshs.89,776,825. However, the following anomalies were observed:

- (i) The County Assembly did not have a budget provision for foreign travel. The amount was irregularly charged to domestic travel and subsistence and other transportation costs and also training expenses whose budget had a combined figure of Kshs.151.4 million.

(ii) The County Assembly did not provide all reports adopted following the foreign trips for implementation by the County Executive. The propriety of spending a colossal sum of Kshs.89.7 million on foreign trips whose reports might not help develop the various sectors of the County could not be confirmed.

iii) The County Assembly spent Kshs.4,376,340 on Integrated Financial Management Information System (IFMIS) benchmarking trip to Rwanda yet the County Assembly had not fully rolled out Integrated Financial Management Information System(IFMIS). Most of those who travelled were Members of the County Assembly instead of Technical Officers who are supposed to implement and oversee the day to day operations of IFMIS.

Further, this exercise could have been done in the Country since there were institutions which had rolled out this Programme. Therefore, the cost of this foreign trip was wasteful.

(iv) The County Assembly engaged various firms to offer liaison/facilitation services on foreign travel at a cost of Kshs.15,327,060.00. However, some of these firms were engaged directly without following laid down procurement procedures whereas others were not pre-qualified to offer services in that financial year. These service providers include;

Date	Payee	Details	Amount(kshs)
2/4/14	Kenya College of Accountancy	South Africa Trip	2,338,000
23/4/14	Kenya College of Accountancy	South Africa Trip	3,433,600
21/5/14	Pan Africa Institute	Israel Trip	6,029,460
13/6/14	Pan Africa Institute	Israel Trip	3,526,000
			15,327,060

The Officers informed the Committee that;-

- i. They acknowledge the Assembly made the stated foreign trips.
- ii. They wish to point out that the Members had just been elected from diverse backgrounds which necessitated the need to expose them to internationally accepted best practices in governance through educational benchmarking trips to various Countries to enable them discharge their duties effectively.
- iii. They appreciated that the Assembly had no vote for foreign travel. However, the vote for training and daily subsistence was used to cater for both domestic and foreign travel interchangeably as the trips were offered as a package.
- iv. The reports were tabled and resolutions forwarded to the Executive for implementation.
- v. Since Rwanda was more advanced in the application of Information Communication Technology (ICT) and the fact that IFMIS was a big component of ICT, the Board in consultation with the CEC Finance who was among the pioneers of IFMIS application in the Country found it prudent to first induct the Members before rolling out the system. Previous experience had shown that where a new concept was introduced without the support of the policy makers, more often than not it had not been successful, hence the need to induct the Members. In addition, it was worth noting that the trip also included both the Assembly and Executive Technical Staff.
- vi. The Assembly had been recently established hence the need to capacity build Members to enable them carry out their mandate effectively. However, the Board to approve the foreign trips vetted them to ensure that they were relevant and would equip Members with the necessary skills and competencies to enable them discharge their mandate effectively and efficiently.
- vii. The trips were not irregularly acquired as stated as they had responded to invitations from recognized institutions in the fields of training and management.

The Officers provided the Committee with;-

1. A Schedule detailing the Country visited, date and when the report was tabled.
2. Copies of letters sent to the County Executive on the resolutions of the Assembly on the Reports from the Benchmarking Trips.

The Committee observed that;-

- i. Foreign travel and daily subsistence allowance were charged from one vote but currently the Assembly had a vote for foreign travel.
- ii. The benchmarking trips were necessary and provided a learning experience to both the staff and the Members.

The Committee was satisfied with the response given but wishes to recommend that in future firms facilitating International Study tours should be properly and procedurally procured.

3.2. Unsupported Daily Subsistence Allowance

The National Treasury Circular NO.17/2013 dated 17th December,2013 instructed Government Officials to rationalize domestic travel by holding meetings, workshop and retreat in government institutions and where majority of participants are from one duty station, meetings, workshop and retreat should be held within government precincts.

Documents provided for audit review revealed that the County Assembly spent Kshs.76,645,004 on daily subsistence allowance during the year under review. However, the County Assembly used the same vote to charge foreign travel expenditure, which had not been voted for during budget preparation. Further, the County Assembly vote book indicated that the County Assembly incurred a total of Kshs.89,992,935 on daily subsistence allowance during the same period resulting to an unexplained variance of Kshs.13,341,931. In the circumstances, it was not possible to confirm where daily subsistence allowance of Kshs.76,645,004.00 was charged to.

The Officers informed the Committee that;-

Initially, the votes for Daily Subsistence Allowance and Foreign Travels were charged from one vote but currently the votes for Foreign and Domestic was separate. They confirmed that the County Assembly spent a total of Kshs.76, 645,004 on Daily Subsistence Allowance and Foreign Travel as per the vote book and not Kshs.89, 992,935 as stated in the report.

The Committee noted that in the vote book the County Assembly spent kshs.76, 645, 004 thus there was no variance of kshs.13, 341,931.

The Committee was satisfied with the response given.

3.3 Unaccounted for Cash Advances for Local Travel

3.3.1 Unaccounted Cash Advances for Local Travel to Nairobi

The County Assembly paid Kshs.644,000.00 vide cheque No.0056 dated 4th November,2013 as imprest to MCAs supposedly attending training at Hilton Hotel between 6th and 9th November, 2013. It was not possible to confirm if the MCAs attended the training since the attendance register, workshop program and report for this training were not availed for review. Further, the County Assembly did not provide evidence of travel to confirm the MCAs travelled to Nairobi.

The Officers informed the Committee that the payments were for Members who were attending a training organized by the Centre for Parliamentary Studies and Training between 6th and 9th November 2013 as per the signed attendance register,invitation letter and programme. The correct amount was Kshs.673, 000and not Kshs.644, 000as indicated in the Audit Report.

The Committee noted that the query had been addressed since support documents were availed but wishes to recommend that in future all support documents for Local Travel should be provided to the Auditors during the time of audit to avoid such queries.

3.3.2 Unaccounted Cash Advances for Local Travel to Nanyuki

The County Assembly paid Kshs.138,000.00 vide cheque number 0072 dated 11th November,2013 as imprest to MCAs supposedly attending a workshop in Nanyuki to write a status report on ECD'S between 12th and 16th November, 2013. It was not possible to confirm if the MCAs' went to Nanyuki since the workshop programme, attendance register, workshop report and evidence of use of the venue in Nanyuki where the workshop was purportedly held were not provided for audit review. Further, the County Assembly did not provide journey evidence to confirm the MCAs travelled to Nanyuki.

The Officers informed the Committee that the payment was for the Committee on Education and ICT on a Retreat to prepare a report on management of pre-schools and 30% tenders award to women, youth and people with disabilities. The amount was fully accounted for through an authorization letter, signed attendance registers, report and CASB resolution.

The Officers provided the Committee with a copy of the letter for facilitation, a schedule on payment, Committee Report on the Retreat and a copy of the County Assembly Service Board meeting held on 9th September, 2013 on transport allowance for Members.

The Committee noted that the query had been addressed since support documents were availed but wishes to recommend that in future all support documents for Local Travel should be provided to the Auditors during the time of audit to avoid such queries.

3.3.3 Unaccounted Cash Advance for Local Travel to Nairobi

The County Assembly paid Kshs.134,000 vide cheque number 00166 dated 9th January,2014 as imprest to County Assembly Service Board Members supposedly carrying out market survey for purpose of purchasing computers, Ipad and laptops in Nairobi between 9th and 11th January, 2014. It was not possible to confirm if the County Assembly Service Board Members travelled to Nairobi to carry out the survey since no survey report was provided for audit

review. Further, it was not clear why the Board was carrying out market survey on behalf of procurement department. In addition, the County Assembly did not provide journey evidence to confirm the Members of the Board travelled to Nairobi.

The Officers informed the Committee that the Members of CASB were on official duty to Nairobi to sample various models of computers, laptops and IPADs on behalf of Members being the users.

The Officers provided a copy of the vehicles Work Tickets, CASB Resolution supporting the journey to Nairobi and the signed schedule on payment.

The Committee noted that the query had been addressed since support documents were availed but wishes to recommend that in future all support documents for Local Travel should be provided to the Auditors during the time of audit to avoid such queries.

3.3.4 Unaccounted Cash for Local Travel to Nairobi, Bomet and Machakos

The County Assembly paid Kshs.375,000 vide cheque number 0087 dated 9th January,2014 as imprest to Finance and Budget Committee supposedly attending bench-marking survey within Nairobi, Bomet and Machakos Counties between 18th and 22nd November,2013. It was not possible to confirm if the Members of the Committee travelled to the said Counties since no survey report and journey evidence were provided for audit review.

The Officers informed the Committee that the payments were to Members of the Finance and Economic Planning Committee and Budget and Appropriations Committees while on bench marking in the listed Counties. These travel had been duly accounted for as per the Authorization letter, Attendance Registers signed by the Members and travel receipts.

The Officers provided the Committee with a copy of the attendance register.

The Committee noted that the query had been addressed since support documents were availed but wishes to recommend that in future all support documents for Local Travel should be provided to the Auditors during the time of audit to avoid such queries.

3.3.5 Unaccounted Cash for Local Travel to Kasarani

The County Assembly paid Kshs.387,000 vide cheque number 0029 dated 18th October,2013 as imprest to Members of Committee on Delegated County Legislation while supposedly attending a workshop in Kasarani between 21st and 25th October,2013.It was not possible to confirm the expenditure given that attendance registers,workshop programme, certificates awarded, details of facilitators, venue for the workshop and workshop report were not provided for audit review. Further, the County assembly did not provide journey evidence.

The Officers informed the Committee that the amount paid was Kshs.342, 000 and not kshs.387, 000 as per the report.The payment was made to the Members of Delegated Legislation Committee for a retreat at Sports View Hotel Kasarani and a visit to the National Assembly of which they dully did as evidenced by the Authorization letter, Attendance Registers and CASB Resolution.

The Officers provided a copy of the request for facilitation and attendance register.

The Committee confirmed that the amount paid was kshs.342,000 and not kshs.387,000.

The Committee noted that the query had been addressed since support documents were availed but wishes to recommend that in future all support documents for Local Travel should be provided to the Auditors during the time of audit to avoid such queries.

3.3.6 Unaccounted Cash for Local Travel to Nairobi

The County Assembly paid Kshs.212,000.00 vide payment voucher number 000931 dated 18th October,2013 as imprest to Majority and Minority Leaders' purportedly attending a workshop at Safari Park Hotel between 12th and 13th September,2013. It was not possible to confirm the expenditure since attendance registers, workshop programme, certificates awarded and workshop report were not provided for audit review. Further, the County Assembly did not provide journey evidence. It is probable that public funds were lost in absence of supporting documentation.

The Officers informed the Committee that the amount paid was Kshs.42, 000 and not Kshs.212, 000 as per the Audit Report and that these were payments to the Leader Majority and Minority to attend a workshop at Safari Park Hotel, Nairobi of which they fully did as per the invitation letter, authorization letter, signed attendance register and CASB resolutions.

The Officers provided the Committee with a copy of the invitation letter and attendance register and the Committee confirmed that the amount paid was kshs.42, 000.

The Committee noted that the query had been addressed since support documents were availed but wishes to recommend that in future all support documents for Local Travel should be provided to the Auditors during the time of audit to avoid such queries.

3.4 Excessive Cash Payments

During the period under review, the County Assembly paid sitting and subsistence allowances to MCAs in form of cash contrary to Government Financial Procedures and Regulations which require payments to be made by cheque apart from petty cash payments. It was also observed that the County Assembly had neither set a petty cash limit on petty payments nor was there standing imprest system put in place. Between October and December, 2013, a total of Kshs.6,197,306.00 had been paid.

The Officers informed the Committee that these payments were paid in cash since the Members of the County Assembly had not been assigned Personal Numbers. This was necessitated by the fact that most of these payments were done during the transition period where all payments were done manually. However, after introduction of the IFMIS System all the payments are done to individual bank accounts.

The Committee confirmed that currently all payments are paid to bank account of respective Members of County Assembly and Officers and that no cash payment was being done.

The Committee was satisfied with the response.

4.0 Lack of Audit Committee

The County Assembly internal audit function did not have a formal body/Committee to report and has been addressing reports to the respective departments. As a result, there had been no Committee to enforce the findings of the internal audit department which plays a crucial role as an internal appraisal activity within an organization, detection and prevention of fraud, ensuring adherence to management policy and carrying out risk assessment. This was contrary to Section 155(5) of the Public Finance Management Act, 2012. Non enforcement of findings of internal audit means, therefore, that work carried out might not benefit the organization fully.

The Officers informed the Committee that the Assembly had now constituted an Audit Committee as required.

The Committee noted that the Assembly Audit Committee had not conformed to the guidelines issued by National Treasury.

The Committee thus wishes to recommend that the County Assembly should ensure that they reconstitute an Audit Committee that is in line with the guidelines issued by the National Treasury and report to the Committee on or before 31st December, 2016 on the progress.

5.0 Lack of Annual, Operational and Activity Plans

It was noted that annual, operational and activity plans were not prepared at the beginning of the financial year except the annual budget. It was, therefore, not possible to confirm how the County Assembly was able to execute its activities in absence of such crucial plans for its various departments and sections.

The Officers informed the Committee that this was attributed to the fact that the organization was very new and as such there were skeleton staff to operationalize these activities. However, this had been rectified as every Department had developed its annual operational and activity plans.

The Officers provided a copy of the annual work plan.

The Committee observed that the Assembly had an annual, operational and activity plan hence the query had been addressed.

6.0 Information Communication Technology (ICT) Environment

The County Assembly had not deployed information technology especially IFMIS and G-pay as both cash activities and payroll preparation were being done by the County Executive. The County Assembly used a basic computer applications including word and excel to carry out the rest of the activities. The use of basic computer packages was vulnerable to manipulation, errors and data loss.

The Officers informed the Committee that previously all payments were processed through IFMIS and G-Pay Systems at the County Treasury since these systems had not been installed at the Assembly. However, currently the Assembly was processing all payments through IFMIS.

The Officers also stated that;-

1. The Assembly was currently having its own IPPD system for payroll processing.

2. Internet Banking had being installed by Central Bank of Kenya in conjunction with National Treasury.
3. The Assembly was currently using E-Procurement modules on most procurement

The Committee noted that the query had been addressed thus was satisfied with the response given.

7.0 Vote book and Budgetary Control

The County Assembly did not allocate funds to various accounts before spending. The vote book maintained did not record commitments but recorded payments only. It was therefore not possible to confirm votes that were under or over utilized and there was a possibility of incurring excess vote without knowledge of management.

The Officers informed the Committee that the Assembly maintains an Excel Vote Book where all the commitments and payments were recorded and they provided a copy.

The Committee observed that the Excel Vote Book did not show clearly when the commitments were reversed to payments.

The Committee wishes to recommend that the vote book should be updated and a proper vote book should be maintained showing clearly allocations to each vote, payments, commitments and outstanding balances on each vote.